



Sbi Home Loan – Factors Influencing The Choice

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SBI Home Loan, Housing Finance, Factor Influence

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ABSTRACT *The basic purpose of providing shelter is to help to achieve some of the socio-economic development objectives of the nation. Many banks have entered in the field of housing finance in addition to their routine banking functions. The State Bank of India is in this field for more than a decade and is preferred by large number of customers. They prefer SBI Home Loan to other banks due to various reasons. The study has been undertaken mainly to highlight such factors influencing the borrowers to prefer State Bank of India for their home loan.*

Introduction

"A house is not merely a place to take shelter from the rain or cold or the sun. It is, or should be, an enlargement of one's personality and if human welfare is our objective, this is bound up with the house" – Pandit Jawaharlal Nehru.

Buying a house has become easier these days, thanks to the changes in the policies of the Central Government and the resultant mushrooming of Housing Finance Companies (HFCs). The HFCs are literally hawking to woo the potential house buyers in order to boost their growth. Because of this, a variety of housing finance options is available to the consumers. However, for a layman, choosing a finance option is not as simple as the Direct Sales Agents (DSAs) of HFCs or banks make it out to be. There are certain facts, which are not always made clear to the client. To pick out a finance option that will give maximum benefits, one need to know the nitty-gritty of housing finance. In this connection the researcher attempted to study the factors influencing the customers to prefer State Bank of India for housing loan.

Statement of the Problem

Two decades before, banks vie with one another in organizing loan melas with prior arrangement with the ultimate aim of reaching new heights in the area of disbursement of loans. Nowadays the interest rate for home loan on various commercial banks is more or less the same and only 0.25 per cent varies with one another. Hence the banks cannot compete with the interest rates. Customer friendly approach plays an important role to choose the particular bank for their long period home loan requirement. Despite stiff competition from public and private sector commercial banks and financial institutions, large number of customers prefers SBI for home loan throughout India. Here, the researcher intended to study the factors influencing the customers to prefer the State Bank of India for Home Loan, which is one of the leading banks lending home loans to a large number of customers.

Methodology and Tool for Data Collection

The study is based on the convenient sampling method. A sample of 300 respondents who have availed home loan in State Bank of India in Madurai city were selected and interviewed. In the present study, the researcher identified 13 variables as detailed below and the same were

used for analysis. Using Likert's 5 point scalling technique, responses were solicited from all the 300 respondents for all the 13 variables. Using the score values given by each respondent for all statements, their opinion for each statement regarding their preference was ascertained. Further based on the total score of each respondent, they were grouped into three categories namely low, medium and high. Using Chi-Square Test, an attempt has been made to verify the relationship between the choice and profile variables.

Factors Influencing the Selection of State Bank of India Home Loan

Now a day, banking is extremely important in the world's economy. The banking functions are the routine functions of one's life. The emergence of private sector banks has changed the whole scenario of the banking functions in the recent years. Though all the commercial banks are liberal in granting house loan, customers are very careful and consider various factors before applying for home loan in a particular bank. The borrowers compare all the different services provided by different banks and select the best one in order to make it more competitive and customer friendly.

In recent times, in the falling interest rate scenario it is quite understandable that every bank in its pursuit of capturing the market is exploring all avenues to offer a competitive rate to bring more and more customers in its fold. In the liberalized economy both private and public sector banks are entering retail banking in the market. In the midst of the information explosion, borrowers sometimes find it difficult to decide on the right lender. In this study the researcher identified 13 factors that influence customer to prefer SBI for home loan. The details are presented below.

1. Low rate of interest
2. No processing fees
3. Lump sum repayment
4. Low margin money
5. No pre closure charges
6. Speedy sanction
7. Courtesy treatment by staff
8. Genuine processing of documents attached
9. No fear of unwanted queries and clarification
10. Easy accessibility

- 11. Convenient for repayment
- 12. Long period of repayment
- 13. Insurance optional

The opinions of the sample respondents regarding their agreement or disagreement were analyzed and the findings are presented.

Results and Discussion

The average score for each statement was worked out and it was found greater than 3 for all the statements. Though the levels of agreement vary from one statement to another, they never disagreed with any statement. So it is inferred that the respondents considered all the factors and found favorable to them in SBI. As the SBI serves better their expectations, customers preferred SBI to other banks and applied for home loan in the branches of SBI convenient to them. Further, the researcher framed the following hypotheses and verified the same using chi square test. The details are presented below.

Table -1
Preference of State Bank of India Home Loan

Profile Variables	Opinion Score			Total	χ^2 Value	P value	Decision
	Low	Medium	High				
Age group							
Younger	24	31	23	78	6.127	0.190	Accept H_0
Middle Age	51	68	57	176			
Elder	10	13	23	46			
Total	85	112	103	300			
Gender							
Male	51	75	54	180	4.725	0.094	Accept H_0
Female	34	37	49	120			
Total	85	112	103	300			
Education							
Up to school	10	15	15	40	2.556	0.635	Accept H_0
UG	35	39	45	119			
PG	40	58	43	141			
Total	85	112	103	300			
Occupation							
Govt. employee	40	49	50	139	0.795	0.939	Accept H_0
Private employee	21	27	22	70			
Business/ Profession	24	36	31	91			
Total	85	112	103	300			
Monthly Income							
Low	20	38	46	104	11.103	0.025	Reject H_0
Middle	36	49	34	119			
Upper	29	25	23	77			
Total	85	112	103	300			

H_0 : Preference of SBI Home Loan is independent of Age.

Table-1 shows χ^2 (2, N=300) =6.127, P=0.190. As the p

value is greater than 0.05 it is statistically evident to accept the null hypothesis at 5% level of significance. Hence it is inferred that the preference of SBI Home Loan is independent of age of the respondents. The preference does not vary among the respondents falling under different age groups.

H_0 : Preference of SBI Home Loan is independent of Gender.

In case of a gender wise classification, χ^2 (2, N=300) =4.725, P=0.094. As the p value is greater than 0.05 it is statistically evident to accept the null hypothesis at 5% level of significance. Hence it is inferred that the preference of SBI Home Loan is independent of gender of the respondents. The preference does not vary between male and female.

H_0 : Preference of SBI Home Loan is independent of Education.

Table-1 shows χ^2 (2, N=300) =2.556, P=0.635. As the p value is greater than 0.05 it is statistically evident to accept the null hypothesis at 5% level of significance. Hence it is inferred that the preference of SBI Home Loan is independent of education of the respondents. The preference does not vary depending on the educational qualifications of the respondents.

H_0 : Preference of SBI Home Loan is independent of Occupation.

Table-1 shows χ^2 (2, N=300) =0.795, P=0.939. As the p value is greater than 0.05 it is statistically evident to accept the null hypothesis at 5% level of significance. Hence it is inferred that the preference of SBI Home Loan is independent of occupation of the respondents. The preference does not vary among the respondents falling under different occupational status.

H_0 : Preference of SBI Home Loan is independent of Income.

Table-1 shows χ^2 (2, N=300) =11.103, P=0.025. As the p value is less than 0.05 it is statistically evident to reject the null hypothesis at 5% level of significance. Hence it is inferred that the preference of SBI Home Loan is dependent of income of the respondents. The preference varies among the respondents falling under different income groups.

Conclusion

Invariably all the banks provide various services to attract people to remain as their customers. Even though SBI provides various services with friendly approach to satisfy their customers, it also provides different schemes of housing loan to attract different income groups.

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